Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

	ting F r P.A. 2 of 19		ocedur is amended.	res Rej	port						
Local Gove	mment Type	: nship	o ∐Village	e Other	Local Governm		N		Count MO	y NTCAL	м
Audit Date 6/30/05			Opinio 8/3 /	ion Date /05		Date Accou	ıntant Report Submi	tted to State:			***************************************
accordance	ce with th	ne S	tatements of	of the Gove	ernmental Accor	unting Sta	nt and rendered ndards Board (igan by the Mich	GASB) and ti	he <i>Uniform</i>	Reporti	ts prepared in
We affirm											
							vernment in Mic	chigan as revis	ed.		
					red to practice ir	_					
We furthe comments	er affirm the s and reco	e fol omm	lowing. "Yes endations	s" responses	s have been disc	closed in th	ne financial state	ements, includi	ng the note:	s, or in th	ne report of
You must	check the	арр	licable box	for each iten	n below.						
Yes	✓ No	1.	Certain cor	mponent uni	ts/funds/agencie	es of the lo	cal unit are excl	uded from the	financial st	tatement	S.
Yes	✓ No	2.	There are 275 of 198	accumulate 80).	d deficits in one	e or more	of this unit's un	reserved fund	balances/re	etained e	earnings (P.A.
Yes Vo 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).											
Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.											
Yes	Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).										
Yes	√ No	6.	The local u	unit has beer	n delinquent in d	distributing	tax revenues tha	at were collect	ed for anoth	ner taxin	g unit.
Yes	√ No	7.	pension be	enefits (norm	nal costs) in the	e current ye	equirement (Arti ear. If the plan i nt, no contributio	is more than 1	00% funde	d and th	t year earned e overfunding
Yes	✓ No	8.	The local (MCL 129.:		redit cards and	has not a	dopted an appl	icable policy a	as required	by P.A.	266 of 1995
Yes	✓ No	9.	The local u	unit has not a	adopted an inve	stment poli	cy as required b	y P.A. 196 of	1997 (MCL	129.95).	
We have	enclosed	the	following:					Enclosed	To Be Forward		Not Required
The letter	r of comm	ents	and recomi	mendations.				✓			
Reports o	on individu	al fe	ederal financ	cial assistan	ce programs (pr	ogram aud	its).				√
Single Au	ıdit Repor	ts (A	SLGU).								✓
ì	IBIIC Account		irm Name) OMPANY,	CPAS	79751111077744411111						
Street Addr	ess RROW L	ANE					City SAGINAW		State MI	ZIP 48638	8
Accountant	Signature	/	Gens	nteble.	- Berth	ian	Me		Date 9-	23	05

CITY OF STANTON

Montcalm County, Michigan

FINANCIAL STATEMENTS

June 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Commission City of Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Stanton, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stanton's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

August 3, 2005

Berthiaume & Co.



STATEMENT OF NET ASSETS

June 30, 2005

	Pri	Primary Government							
	Governmental	Business-type		Component					
	Activities	Activities	Total	Unit					
Assets:									
Cash and cash equivalents	\$ 1,943,250	\$ 560,829	\$ 2,504,079	\$ 62,261					
Receivables	149,784	69,173	218,957	6,050					
Restricted cash and cash equivalents	-	60,938	60,938	-					
Capital assets:									
Nondepreciable capital assets	131,799	4,765	136,564	-					
Depreciable capital assets, net	872,822	3,304,504	4,177,326						
Total assets	3,097,655	4,000,209	7,097,864	68,311					
Liabilities:									
Accounts payable and accrued expenses	14,154	15,769	29,923	11,797					
Long-term liabilities:									
Due within one year	-	25,000	25,000	70,000					
Due in more than one year	17,443	510,000	527,443	310,000					
Total liabilities	31,597	550,769	582,366	391,797					
Net assets:									
Invested in capital assets, net of related debt	1,004,621	2,774,269	3,778,890	-					
Restricted for:									
Debt service	-	60,938	60,938	-					
Streets	481,067	-	481,067	-					
Nonexpendable cemetery principal	46,773	-	46,773	-					
Unrestricted	1,533,597	614,233	2,147,830	(323,486)					
Total net assets	\$ 3,066,058	\$ 3,449,440	\$ 6,515,498	\$ (323,486)					

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

			Program Revenues							
	Expenses		Charges for Services		Gı	perating rants and ntributions	G	Capital rants and ntributions		(Expense) Revenue
Functions/Programs										
PRIMARY GOVERNMENT:										
Governmental activities:				40.04						/4 = 0 0 de \
General government	\$	198,907	\$	48,845	\$	-	\$	-	\$	(150,062)
Public safety		108,296		736		1,212		-		(106,348)
Public works		156,118		4,950		107,019		-		(44,149)
Community and economic development		4,389		-		-		100,824		96,435
Recreation and culture		161,875		20,125		183,753				42,003
Total governmental activities		629,585		74,656		291,984		100,824		(162,121)
Business-type activities:										
Sewer		138,590		61,796		_		_		(76,594)
Water		152,354		125,984						(26,370)
Total business-type activities		290,944		187,780						(102,964)
Total primary government	\$	920,329	\$	262,436	\$	291,984	\$	100,824	\$	(265,085)
COMPONENT UNIT:										
Downtown development authority	\$	155,282	\$		\$		\$		\$	(155,282)

continued

		Pri						
			F	Business-				
	Governmental			type			C	omponent
		Activities		Activities		Total		Unit
Changes in net assets:								
Net (Expense) Revenue	\$	(162,121)	\$	(102,964)	\$	(265,085)	\$	(155,282)
General revenues:								
Taxes:								
Property taxes, levied for general purpose		206,103		-		206,103		185,275
Grants and contributions not restricted to								
specific programs		163,481		-		163,481		-
Unrestricted investment earnings		31,612		11,060		42,672		1,932
Miscellaneous		8,580		-		8,580		-
Contributions to principal of permanent funds		1,500		-		1,500		-
Special item - Gain on sale of capital asset		(576)				(576)		-
Total general revenues, contributions,								
special items and transfers		410,700		11,060		421,760		187,207
Change in net assets		248,579		(91,904)		156,675		31,925
Net assets, beginning of year	_	2,817,479		3,541,344		6,358,823		(355,411)
Net assets, end of year	\$	3,066,058	\$	3,449,440	\$	6,515,498	\$	(323,486)

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2005

	_	General Fund		Major Street Fund		Local Street Fund		Library Fund	Gov	onmajor vernmental Funds	Ge	Total overnmental Funds
Assets:												
Cash and cash equivalents	\$	792,214	\$	405,528	\$	58,227	\$	431,784	\$	60,423	\$	1,748,176
Due from other governmental		£1.022		11.500		5 500		71.150				140.206
units		51,832		11,589		5,723		71,152		-		140,296
Due from other funds		9,488					_	-				9,488
Total assets	\$	853,534	\$	417,117	\$	63,950	\$	502,936	\$	60,423	\$	1,897,960
Liabilities and Fund Balances: Liabilities:												
Accounts payable	\$	3,645	\$	_	\$	_	\$	2.983	\$	12	\$	6,640
Accrued expenses		5,358					_	1,939		93	_	7,390
Total liabilities	_	9,003					_	4,922		105		14,030
Fund balances:												
Reserved for:												
Nonexpendable cemetery												
principal		-		-		-		-		46,773		46,773
Unreserved:												
General fund		844,531		-		-		-		-		844,531
Special revenue funds			_	417,117	_	63,950	_	498,014		13,545		992,626
Total fund balances		844,531		417,117		63,950		498,014		60,318	_	1,883,930
Total liabilities and												
fund balances	\$	853,534	\$	417,117	\$	6,395	\$	502,936	\$	60,423	\$	189,760
rund barances	φ	055,554	φ	+1/,11/	φ	0,393	φ	302,930	φ	00,423	φ	109,700

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2005

Total fund balances for governmental funds	\$	1,883,930
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets 1,074,3	00	
Less accumulated depreciation (128,5)	<u>40</u>)	945,760
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Compensated absences payable		(17,443)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	_	253,811
Net assets of governmental activities	\$	3,066,058

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	_	General Fund		Major Street Fund		Local Street Fund		Library Fund		Nonmajor Governmental Funds		Total overnmental Funds				
Revenues:																
Property taxes	\$	206,103	\$	-	\$	-	\$	-	\$	-	\$	206,103				
Licenses and permits		2,270		-		-		-		-		2,270				
State grants		164,693		71,647		35,372		8,991		-		280,703				
Contributions from other units		17,100		-		-		174,762		-		191,862				
Charges for services		34,006		-		-		-		3,469		37,475				
Fines and forfeits		736		-		-		-		-		736				
Interest and rents		22,299		6,530		1,063		6,645		719		37,256				
Other revenue		49,132			-			20,125		3,000	_	72,257				
Total revenues		496,339		78,177		36,435		210,523		7,188		828,662				
Expenditures:																
Current:																
General government		94,613		-		-		-		7,151		101,764				
Public safety		99,629		-		-		-		-		99,629				
Public works		84,663		20,261		52,525		-		-		157,449				
Community and economic development		500		-		-		-		-		500				
Recreation and culture		3,559		-		-		148,517		-		152,076				
Other		83,999		-		-		-		-		83,999				
Capital outlay		7,753						8,267			_	16,020				
Total expenditures		374,716		20,261	_	52,525		156,784		7,151	_	611,437				
Excess (deficiency) of																
revenues over																
expenditures		121,623	_	57,916		(16,090)	_	53,739		37	_	217,225				
Other financing sources (uses):																
Transfers in		_		_		_		_		578		578				
Transfers out				-				_		(578)	_	(578)				
Total other financing sources (uses)		-			_					-		-				
Net change in fund balances		121,639		57,916		(16,090)		53,739		37		217,225				
Fund balances, beginning of year		722,908		359,201	_	80,040	_	444,275		60,281		1,666,705				
Fund balances, end of year	\$	844,547	\$	417,117	\$	63,950	\$	498,014	\$	60,318	\$	1,883,930				

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds		\$ 217,225
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	107,618	
Less depreciation expense	(12,627)	94,991
Governmental funds report proceeds from the sale of assets as revenue. In the statement of activities the proceeds are shown net of the depreciated cost of the asset as either a net gain or loss.		
Less the net depreciated cost of assets sold		(49,708)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable		(11,178)
The net revenue (expense) of the internal service fund is reported with governmental activities.		 (2,751)
Change in net assets of governmental activities		\$ 248,579

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Busi	vities	Governmental Activities Internal	
	Maj	or Enterprise F	unds	Service Fund -
	Sewer Fund	Water Fund	Total	Equipment Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 177,153	\$ 383,676	\$ 560,829	\$ 195,074
Accounts receivable	22,934	46,239	69,173	
Total current assets	200,087	429,915	630,002	195,074
Noncurrent assets:				
Restricted cash and cash equivalents Capital assets:	-	60,938	60,938	-
Nondepreciable capital assets	4,765	-	4,765	-
Depreciable capital assets, net	2,517,487	787,017	3,304,504	58,861
Total noncurrent assets	2,522,252	847,955	3,370,207	58,861
Total assets	2,722,339	1,277,870	4,000,209	253,935
Liabilities: Current liabilities:				
Accounts payable	2,234	1,560	3,794	124
Accrued expenses	517	11,458	11,975	-
Current portion of long-term debt		25,000	25,000	
Total current liabilities	2,751	38,018	40,769	124
Noncurrent liabilities:				
Long-term debt		510,000	510,000	
Total noncurrent liabilities		510,000	510,000	
Total liabilities	2,751	548,018	550,769	124
Net assets:				
Invested in capital assets,				
net of related debt	2,522,252	252,017	2,774,269	58,861
Restricted for:				
Debt service	-	60,938	60,938	-
Unrestricted	197,336	416,897	614,233	194,950
Total net assets	\$ 2,719,588	\$ 729,852	\$ 3,449,440	\$ 253,811

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Year Ended June 30, 2005

		Busi	es	A	vernmental activities			
		Majo	or E	nterprise F	und	ls		nternal vice Fund -
	S	Sewer		Water			E	quipment
]	Fund		Fund		Total		Fund
Operating revenues:								
Charges for services	\$	60,985	\$	124,112	\$	185,097	\$	-
Penalties		811		1,722		2,533		-
Equipment rental		-		-		-		20,926
Other				150	_	150		700
Total operating revenues		61,796		125,984	_	187,780		21,626
Operating expenses:								
Personnel		14,220		20,073		34,293		-
Fringe benefits		1,048		1,511		2,559		-
Supplies		481		514		995		-
Contracted services		8,917		8,323		17,240		-
Administrative expense		12,000		12,000		24,000		-
Telephone		-		5,998		5,998		-
Printing and publishing		-		624		624		-
Utilities		21,332		11,333		32,665		-
Repair and maintenance		6,324		32,801		39,125		5,957
Equipment rental		2,000		2,250		4,250		-
Other services and supplies		-		803		803		269
Depreciation		72,068		28,792	_	100,860		21,087
Total operating expenses		138,390		125,022		263,412		27,313
Operating income (loss)		(76,594)		962		(75,632)		(5,687)
Non-operating revenues (expenses):								
Interest income		3,417		7,643		11,060		2,936
Interest expense				(27,332)		(27,332)		
Total non-operating revenues (expenses)		3,417		(19,689)		(16,272)		2,936
Net income (loss) before operating transfers		(73,177)		(18,727)		(91,904)		(2,751)
Net assets, beginning of year	2	,792,765		748,579		3,541,344		256,562
Net assets, end of year	\$ 2	,719,588	\$	729,852	\$	3,449,440	\$	253,811

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

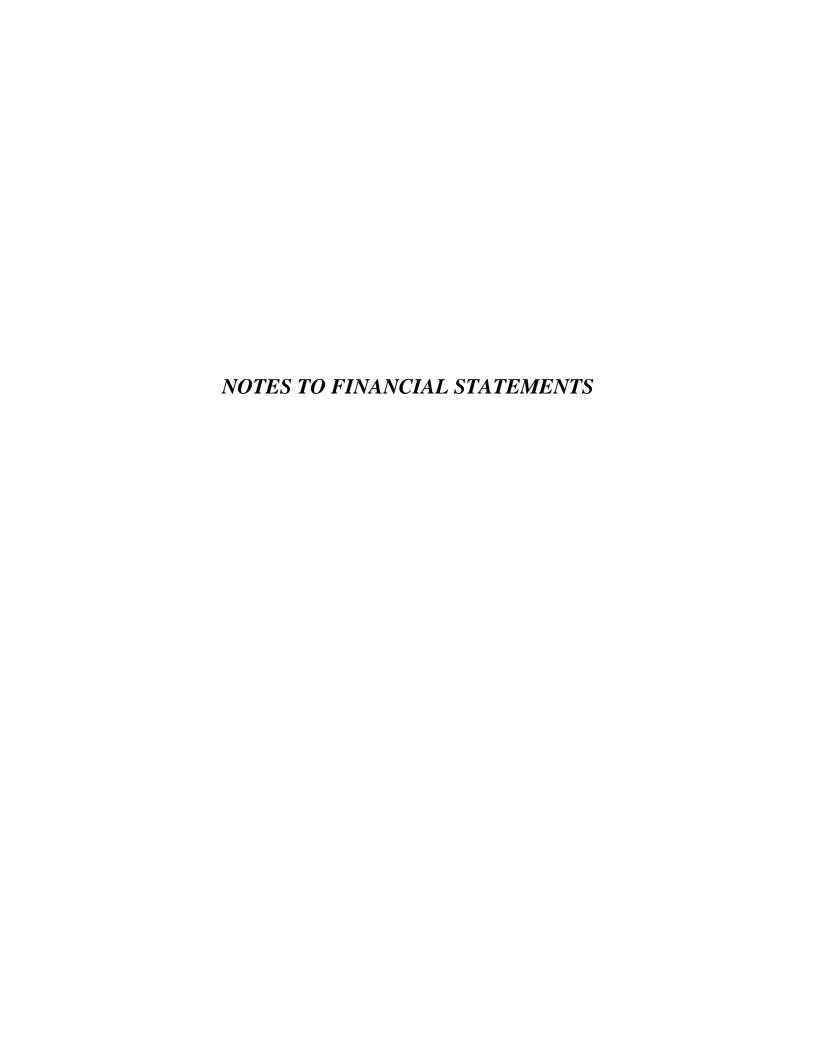
		Bus	ines	ss-type Activ	ities	<u> </u>	Governmenta Activities Internal		
		Mai	on I	Intornuico Fr	md			nternal vice Fund -	
		Sewer	01 1	Enterprise Fu Water	mas		quipment		
		Fund		Fund		Total		Fund	
Cash flows from operating activities:									
Cash received from customers	\$	63,045	\$	125,585	\$	188,630	\$	21,626	
Cash received from interfund services	_	-	-	-	-	-	_	20,926	
Cash payments to employees		(14,220)		(20,073)		(34,293)		-	
Cash payments to suppliers for goods									
and services		(51,802)	_	(75,617)	_	(127,419)		(6,226)	
Net cash provided (used) by operating activities		(2,977)	_	29,895	_	26,918		36,326	
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets		-		-		-		(79,948)	
Principal payments		-		(20,000)		(20,000)		-	
Interest paid				(27,332)		(27,332)			
Net cash provided by capital and related									
financing activities				(47,332)		(47,332)		(79,948)	
Cash flows from investing activities:									
Interest received		3,417		7,643		11,060		2,936	
Net cash provided by investing activities		3,417	_	7,643	_	11,060		2,936	
Net increase (decrease) in cash and									
cash equivalents		440	_	(9,794)	_	(9,354)		(40,686)	
Cash and cash equivalents, beginning of year		176,713		454,408		631,121		179,941	
Cash and cash equivalents, end of year	\$	177,153	\$	444,614	\$	621,767	\$	139,255	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$	(76,594)	\$	962	\$	(75,632)	\$	(5,687)	
Adjustments:	·	(, ,				(11,11)		(-,,	
Depreciation		72,068		28,792		100,860		21,087	
Change in assets and liabilities:									
Accounts receivable		1,249		(399)		850		-	
Accounts payable and accrued expenses		300	_	540	_	840			
Net cash provided (used) by operating activities	\$	(2,977)	\$	29,895	\$	26,918	\$	15,400	

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 22,978
Total assets	22,978
Liabilities:	
Accounts payable and accrued expenses	4,438
Due to other governmental units	9,052
Due to other funds	9,488
Total liabilities	22,978
Net Assets:	
Unrestricted	
Total net assets	\$ -



NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stanton was incorporated in 1863 and is located in Montcalm County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven member City Commission, including a Mayor, elected by the community at large. The City provides the approximately 1,500 residents authorized following services to as bv Public safety (police and fire), highways and streets, sanitation, health and social services, culture recreation, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Stanton conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Unit - The component unit columns in the combined financial statements include the financial data of the City's component unit. The unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Joint Venture – The City is a member of an intergovernmental agreement to operate a joint fire association with the Evergreen, Douglas, and Sidney Townships. The City appoints one member to the joint association's governing board. The operating and capital budgets are funded with equal contributions from each government.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

June 30, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

June 30, 2005

The City reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to accounted for in another fund.

<u>Major Street Fund</u> – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

<u>Local Street Fund</u> – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

<u>Library Fund</u> – The Library Fund is used to account for earmarked revenue set aside for library purposes.

The City reports the following major enterprise funds:

<u>Sewer Fund</u> – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

<u>Water Fund</u> – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Property Taxes</u> – Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 14 before they are added to the county tax rolls.

The 2004 taxable valuation of the City totaled \$ 19,872,603, on which ad valorem taxes levied consisted of 12.7436 mills for the City's operating purposes.

The delinquent real property taxes of the City are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

<u>Inventories and Prepaid Items</u> – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

June 30, 2005

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-100 years
Vehicles	5-50 years
Furniture and other equipment	5-15 years

<u>Compensated Absences</u> – It is the City's policy to permit employees to accumulate earned but unused sick days. Under the City's policy, employees with over ten years of employment earn 100% of unused hours. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

June 30, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The City Clerk submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to July 1, the budget is legally enacted by adoption of the City Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the City.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur any expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's deposits and investments at June 30, 2005 are included in the statement of net assets under the following categories:

	overnmental <u>Activities</u>	ısiness-type <u>Activities</u>	tal Primary overnment	C	omponent <u>Unit</u>
Cash and cash equivalents	\$ 1,943,250	\$ 560,829	\$ 2,504,079	\$	62,261
Restricted Cash and Equivalents	 -	60,938	 60,938		
	\$ 1,943,250	\$ 621,767	\$ 2,565,017	\$	62,261

Deposits:

The deposits for the City are as follows:

	Primary <u>Government</u>	Component <u>Unit</u>
Bank deposits (checking accounts, savings accounts, and certificates		
of deposit)	\$ 2,564,967	\$ 62,261
Petty cash and cash on hand	50	
Total	\$ 2,565,017	\$ 62,261

June 30, 2005

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,593,127 of which \$421,734 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments:

State statutes authorize the City to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a City.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name;

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City had no investments.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuance of the Water and Sewer Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Water Bond Reserve Account - All excess funds are to be transferred to this account until \$48,000 is accumulated.

At June 30, 2005, the City had established these accounts and had restricted cash, as required, as follows:

			 Requir	emen	ts	Fi R	Amount unded in estricted Cash Balance
	June 30, 2004		 lditions eletions)	J	une 30, 2005	J	une 30, 2005
WATER FUND: Bond and interest redemption account	\$	11,938	1,000		12,938		12,938
Bond reserve account		48,000	-		48,000		48,000
	\$	59,938	\$ 1,000	\$	60,938	\$	60,938

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
PRIMARY GOVERNMENT:				
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 106,569	\$ 25,230	\$ -	131,799
Depreciable capital assets:				
Land improvements	118,270	80,444	-	198,714
Buildings and improvements	796,174	-	50,000	746,174
Equipment	71,965	8,269	-	80,234
Vehicles	175,889			175,889
	1,162,298	88,713	50,000	1,201,011
Accumulated depreciation	(294,767)	(33,714)	(292)	(328,189)
Depreciable assets, net	867,531	54,999	49,708	872,822
Governmental capital assets, net	\$ 974,100	\$ 80,229	\$ 49,708	\$ 1,004,621

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Business-type activities:				
Sewer capital assets:				
Nondepreciable capital assets:				
Land	\$ 4,765	\$ -	\$ -	\$ 4,765
Depreciable capital assets:				
Equipment	85,715	-	-	85,715
Distribution system	3,590,794			3,590,794
	3,676,509	-	-	3,676,509
Accumulated depreciation	(1,086,954)	(72,068)		(1,159,022)
Depreciable assets, net	2,589,555	(72,068)		2,517,487
Sewer capital assets, net	2,594,320	(72,068)		2,522,252
Water capital assets:				
Depreciable capital assets				
Land improvements	72,718	-	-	72,718
Equipment	28,605	-	-	28,605
Distribution system	1,332,253			1,332,253
	1,433,576	-	-	1,433,576
Accumulated depreciation	(617,767)	(28,792)		(646,559)
Depreciable assets, net	815,809	(28,792)		787,017
Water capital assets, net	815,809	(28,792)		787,017
Business-type activities, capital assets, net	\$ 3,410,129	\$ (100,860)	\$ -	\$ 3,309,269
Depreciation expense was charged to programs o	f the primary g	overnment as f	follows:	
Governmental activities:				
General government				\$ 3,994
Public safety				9,703
Public works				13,472
Community and economic development				3,889
Recreation and culture				2,657
Total governmental activities				\$ 33,715
Business-type activities:				
Sewer				\$ 72,068
Water				28,792
Total business-type activities				\$ 100,860

June 30, 2005

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

		Principal								
	Interest	Maturity	P	Beginning	A	Additions		Ending	Dı	ue Within
	Rate Ranges	Ranges	_	Balance	(R	eductions)	Balance			ne Year
PRIMARY GOVERNMENT:										
Governmental activities										
Compensated absences			\$	6,265	\$	11,178	\$	17,443	\$	
Total governmental activities			_	6,265	_	11,178	_	17,443		
Business-type activities										
Revenue bonds - 2001 Sewer Revenue										
Revenue bonds - 1981 Water Supply										
Revenue Bonds										
Amount of Issue - \$816,000										
Maturing through February 1, 2021	5.0%	20,000-40,000	_	555,000	_	(20,000)	_	535,000		25,000
Total business-type activities				555,000		(20,000)	_	535,000		25,000
Total governmental and										
business-type activities			\$	561,265	\$	(8,822)	\$	552,443	\$	25,000
COMPONENT UNIT:										
General Obligation - 1994 Downtown										
Development Limited Tax Bonds										
Amount of Issue - \$800,000										
Maturing through 2010	5.5-5.9%	\$60,000-85,000	\$	445,000	\$	(65,000)	\$	380,000	\$	70,000
Total component unit			\$	445,000	\$	(65,000)	\$	380,000	\$	70,000

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended		Busi	ness	s-type Activ	vitie	S	Componer			ponent Uni	J nits		
June 30,	<u>P</u>	rincipal]	Interest	_	Total	_ <u>P</u>	Principal	_	Interest	_	Total	
2006	\$	25,000	\$	26,750	\$	51,750	\$	70,000	\$	21,990	\$	91,990	
2007		25,000		25,500		50,500		70,000		18,035		88,035	
2008		25,000		24,250		49,250		75,000		14,045		89,045	
2009		25,000		23,000		48,000		80,000		9,695		89,695	
2010-2014		160,000		93,500		253,500		85,000		5,015		90,015	
2015-2019		195,000		49,750		244,750		-		-		-	
2020-2024		80,000		6,000		86,000		-		-		_	
	\$	535,000	\$	248,750	\$	783,750	\$	380,000	\$	68,780	\$	448,780	

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	 vernmental activities	Business-type Activities		
Receivables:				
Accounts	\$ 9,488	\$	69,173	
Intergovernmental	 140,296			
Total receivables	\$ 149,784	\$	69,173	
Accounts payable and accrued expenses:				
Accounts	\$ 6,764	\$	3,794	
Payroll and related liabilities	7,390		830	
Interest	 		11,145	
Total accounts payable and accrued expenses	\$ 14,154	\$	15,769	

June 30, 2005

NOTE 8: INTERFUND BALANCES AND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To	An	nount	
Nonmajor governmental funds	Nonmajor governmental funds			
Permanent Fund-	Special Revenue Fund -			
Perpetual Care	Cemetery Fund	\$	578	(I)

(I) Earnings used for maintenance of cemetery

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amount up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts.

Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The White Pine Library participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the library employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

June 30, 2005

FUNDING POLICY:

The Library is required to contribute at an actuarially determined rate; the current rate is 3.71% of annual covered payroll. Library employees are required to contribute 3% of their annual covered payroll. The contribution requirements of the Library are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

Annual Pension Costs – For year ended June 30, 2005, the City's annual pension cost of \$5,013 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of June 30, 2005 follows:

Fiscal Year Ended June 30		2005	2004	2003		
Annual pension cost Percentage of APC contributed	\$	5,013 100%	\$	3,748 100%	\$	4,283 100%
Net pension obligation		-		-		-

Deferred Compensation Plan:

As of December 31, 1993, the City (except Library employees) no longer was a member of the Michigan Municipal Employees Retirement System. A private deferred compensation plan was created in accordance with Internal Revenue Code Section 457, as of July 1, 1992. The plan is available to all full-time employees and it permits tax deferral of a portion of current salary until future years.

The City is required to contribute to the Section 457 plan, an amount equal to three percent (3%) of each eligible employee's annual salary. In addition, the City makes a matching dollar contribution in one percent (1%) increments up to a maximum of two percent (2%). During the year ended June 30, 2005, the City contributed \$7,000 on behalf of the employees under this arrangement.

The City adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, for its primary government. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

Compensated Absences:

City employees receive 100% of their accumulated sick days on termination. As of June 30, 2005, a liability for accrued sick pay of \$17,443 is reflected in the financial statements.

June 30, 2005

Post Employment Benefits:

The City has no post employment benefits plans at this time other than its pension plans.

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial statements for the discretely presented unit are presented below. Complete financial statements are not prepared for the Downtown Development Authority.

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

June 30, 2005

A	SS	רים	rc.
А	SS	r. I	l D:

Current Assets: Cash and cash equivalents Taxes receivable	\$ 62,261 6,050
Total assets	68,311
LIABILITIES AND FUND EQUITY:	
Liabilities:	
Accounts Payable	6,574
Accrued Interest Payable	3,665
Due to other governmental units	1,558
Long-Term Liabilities:	
Due within one year	70,000
Due in more than one year	310,000
Total liabilities	391,797
Net Assets:	
Unrestricted	(323,486)
Total net assets	\$ (323,486)

June 30, 2005

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

REV	/EN	UES:
-----	-----	-------------

Property taxes Interest	\$ 185,275 1,932
Total revenues	187,207
EXPENDITURES:	
Economic development	130,259
Debt service:	
Interest	25,023
Total expenditures	155,282
Change in net assets	31,925
Net assets, beginning of year	(355,411)
Net assets, end of year	\$ (323,486)



GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts						Actual Over (Under)		
	Original Final				Actual		Final Budget		
Revenues:	<u> </u>								
Property taxes	\$	195,704	\$	195,704	\$	206,103	\$	10,399	
Licenses and permits		2,100		2,100		2,270		170	
State grants		161,000		161,000		164,693		3,693	
Contributions from other units		10,800		10,800		17,100		6,300	
Charges for services		33,500		33,500		34,006		506	
Fines and forfeits		100		100		736		636	
Interest and rents		8,600		8,600		22,299		13,699	
Other revenue		52,200		52,200	_	49,132		(3,068)	
Total revenues		464,004		464,004		496,339		32,335	
Expenditures:									
Current:									
General government		113,975		113,975		94,613		(19,362)	
Public safety		122,300		122,300		99,629		(22,671)	
Public works		98,550		98,550		84,663		(13,887)	
Community and economic development		500		500		500		-	
Recreation and culture		13,050		13,050		3,559		(9,491)	
Other		93,600		93,600		83,999		(9,601)	
Capital outlay		21,000	_	21,000	_	7,753		(13,247)	
Total expenditures		462,975		462,975		374,716		(88,259)	
Excess (deficiency) of									
revenues over expenditures		1,029		1,029		121,623		120,594	
Fund balance, beginning of year		722,908		722,908		722,908			
Fund balance, end of year	\$	723,937	\$	723,937	\$	844,531	\$	120,594	

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

				Actual	
	Budgeted	Amounts		Over (Under)	
	<u>Original</u>	Final	Actual	Final Budget	
Revenues:					
State grants	\$ 63,000	\$ 63,000	\$ 71,647	\$ 8,647	
Interest and rents	1,000	1,000	6,530	5,530	
Other revenue	200	200		(200)	
Total revenues	64,200	64,200	78,177	13,977	
Expenditures: Current:					
Public works	29,725	29,725	20,261	(9,464)	
Total expenditures	29,725	29,725	20,261	(9,464)	
Excess (deficiency) of revenues over expenditures	34,475	34,475	57,916	23,441	
Fund balance, beginning of year	359,201	359,201	359,201		
Fund balance, end of year	\$ 393,676	\$ 393,676	\$ 417,117	\$ 23,441	

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted	Amounts		Actual Over (Under)
	Original	Original Final		Final Budget
Revenues: State grants Interest and rents	\$ 31,000 300	\$ 31,000 300	\$ 35,372 1,063	\$ 4,372 763
Total revenues	31,300	31,300	36,435	5,135
Expenditures: Current: Public works	57,880	57,880	52,525	(5,355)
Total expenditures	57,880	57,880	52,525	(5,355)
Excess (deficiency) of revenues over expenditures	(26,580)	(26,580)	(16,090)	10,490
Fund balance, beginning of year	80,040	80,040	80,040	
Fund balance, end of year	\$ 53,460	\$ 53,460	\$ 63,950	\$ 10,490

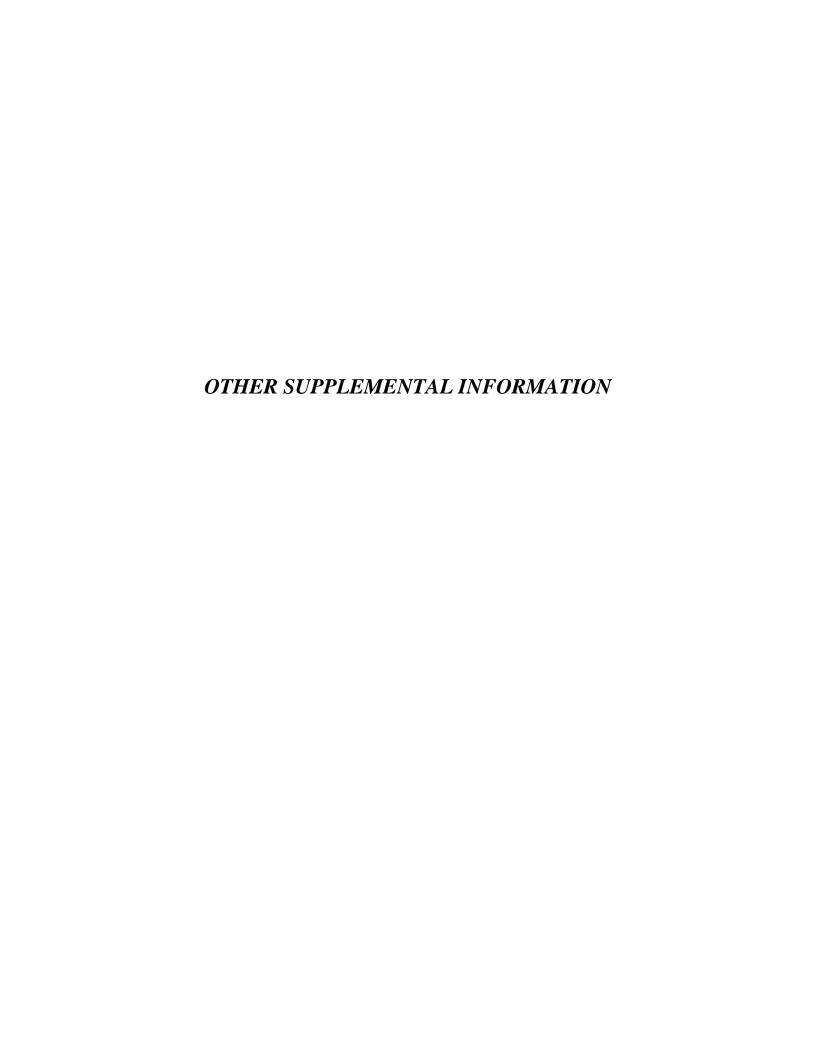
SPECIAL REVENUE FUND – LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts							Actual r (Under)
	Original Final				Actual		Final Budget	
Revenues:								
State grants	\$	4,500	\$	4,500	\$	8,991	\$	4,491
Contributions from other units		143,000		143,000		174,762		31,762
Interest and rents		2,000		2,000		6,645		4,645
Other revenue		10,000		10,000	_	20,125	-	
Total revenues		159,500		159,500		210,523		40,898
Expenditures: Current:								
Recreation and culture		140,556		148,556		148,517		(39)
Capital outlay		5,500		9,600		8,267		(1,333)
Total expenditures		146,056		158,156		156,784		(1,372)
Excess (deficiency) of revenues over expenditures		13,444		1,344		53,739		42,270
Fund balance, beginning of year		444,275		444,275		444,275		<u>-</u>
Fund balance, end of year	\$	457,719	\$	445,619	\$	498,014	\$	42,270

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date	 12/31/04		12/31/03		12/31/02	
Actuarial Value of Assets	\$ 108,453	\$	107,982	\$	107,846	
Actuarial Accrued Liability (AAL)	172,143		173,967		169,161	
Unfunded AAL (UAAL)	63,690		65,985		61,315	
Funded Ratio	63%		62%		64%	
Covered Payroll	49,706		47,059		45,214	
UAAL as a percentage of covered payroll	128%		140%		136%	



DETAILED SCHEDULE OF REVENUES

Current Taxes:		
Property taxes	\$	195,949
Trailer tax		416
Adminstration fees, Penalties and interest on taxes		9,738
	_	206,103
Licenses and permits:		
Nonbusiness licenses and permits		677
CATV franchise fees		1,593
		2,270
State Grants:		
Liquor license fees		1,212
State revenue sharing - sales tax		163,481
		164,693
Contribution from other units:		17 100
Stanton Downtown Development Authority - Administration charges		17,100
		17,100
Charges for services:		
Charges to other funds		34,006
Charges to other runds		34,006
		34,000
Fines and forfeits:		
Ordinance fines		736
		736
Interest and rents:		
Interest		13,719
Rents		8,580
		22,299
Other Revenue:		
Sale of fixed assets		49,132
		49,132
Total revenues	\$	496,339
Total Tevenides	Ψ	770,337

DETAILED SCHEDULE OF EXPENDITURES

General Government:	
Council, Board:	
Personnel	\$ 6,543
Printing and publications	210
	6,753
Clerk/Treasurer:	
Personnel	47,982
Supplies	486
Other	353
	48,821
Audit:	
Contracted services	5,919
	5,919
Board of Review:	
Personnel	910
Other	304
	1,214
Assessor/Equalization Department:	
Personnel	10,129
Other	1,032
	11,161
Elections:	
Supplies	715
Contracted services	2,082
Other	5
	2,802
Building and Grounds:	
Personnel	2,087
Supplies	5,181
Telephone	2,724
Printing and publications	499
Utilities	4,722
Repairs and maintenance	1,422
Other	1,308
	17,943
	0
Total general government	94,613

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Public Safety:	
Police:	
Personnel	69,298
Supplies	4,416
Contracted services	20
Repairs and maintenance	1,073
Equipment rental	6,000
Other	242
	81,049
Fire:	
Contracted services	13,200
	13,200
Protective Inspection Department:	
Contracted services	5,380
	5,380
Total public safety	99,629
Total public safety	
Public Works:	
Department of Public Works:	
Personnel	38,786
Supplies	456
Contracted services	4,675
Utilities	632
Repairs and maintenance	6,187
Equipment rental	4,781
Other	1,075
	56,592
Street Lighting:	
Utilities Utilities	21,667
Cimiles	21,667
Refuse Collection/Disposal:	1 404
Contracted services - Spring Cleanup	1,404
	1,404
Public Transporation:	
Contracted services	5,000
	5,000
Total public works	84,663

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Community and Economic Development:	
Economic development:	
Contracted services	500
	500
Total community and economic development	500
Recreation and Culture:	
Parks and Recreation Department:	
Personnel	1,234
Supplies	1,286
Contracted services	195
Equipment rental	844
	3,559
Total recreation and culture	3,559
Other:	
Insurance and bonds	21,665
Employer's share of retirement	7,000
Employer's share of FICA	13,238
Health Insurance	38,543
Workers compensation insurance	3,553
	83,999
Total other	83,999
Capital Outlay:	
General government	3,163
Public works	4,850
	8,013
Total capital outlay	8,013
Total expenditures	\$ 374,976

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2005

	R	pecial evenue Fund	Permanent Fund			
		Cemetery Perpetual Cemetery Care Fund Fund		erpetual Care	Total Nonmajor Governmental Funds	
Assets:						
Cash and cash equivalents	\$	13,650	\$	46,773	\$	60,423
Total assets	\$	13,650	\$	46,773	\$	60,423
Liabilities and Fund Balances: Liabilities:						
Accounts payable	\$	12	\$	_	\$	12
Accrued expenses	·	93	_		_	93
Total liabilities		105				105
Fund balances:						
Reserved for: Nonexpendable cemetery principal		_		46,773		46,773
Unreserved:				40,773		40,773
Special revenue funds		13,545				13,545
Total fund balances		13,545		46,773		60,318
Total liabilities and fund balances	\$	13,650	\$	46,773	\$	60,423

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Fund	Permanent Fund		
	Cemetery Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds	
Revenues:				
Charges for services	\$ 3,469	\$ -	\$ 3,469	
Total revenues	3,469		3,469	
Expenditures:				
Current:				
General government	7,151		7,151	
Total expenditures	7,151		7,151	
Excess (deficiency) of				
revenues over expenditures	(2,055)	2,092	37	
Other financing sources (uses):				
Transfers in	578	-	578	
Transfers out		(578)	(578)	
Total other financing sources (uses)	578	(578)		
Net change in fund balance	(1,477)	1,514	37	
Fund balances, beginning of year	15,022	45,259	60,281	
Fund balances, end of year	\$ 13,545	\$ 46,773	\$ 60,318	

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

	Payroll Withholding Fund	Tax Fund	Total
Assets:			
Cash and cash equivalents	\$ 4,438	\$ 18,540	\$ 22,978
Total assets	4,438		22,978
Liabilities:			
Accounts payable and accrued expenses	4,438	-	4,438
Due to other governmental units	-	9,052	9,052
Due to other funds		9,488	9,488
Total liabilities	4,438	18,540	22,978
Net Assets:			
Unrestricted			
Total net assets	\$ -	\$ -	\$ -

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES,

	Beginning Balance	Additions	Deductions	Ending Balance
Payroll Withholding Fund				
Assets:				
Cash and cash equivalents	\$ 4,420	\$ 328,150	\$ 328,132	\$ 4,438
Total assets	\$ 4,420	\$ 328,150	\$ 328,132	\$ 4,438
Liabilities: Accounts payable and accrued expenses	\$ 4,420	\$ 328,150	\$ 328,132	\$ 4,438
Accounts payable and accrued expenses	\$ 4,420	φ 326,130	\$ 326,132	φ 4,430
Total liabilities	\$ 4,420	\$ 328,150	\$ 328,132	\$ 4,438
Tax Fund				
Assets:				
Cash and cash equivalents	\$ 6,936	\$ 892,213	\$ 880,609	\$ 18,540
Liabilities:				
Due to other funds	\$ 6,936	\$ 248,510	\$ 245,958	\$ 9,488
Due to other governmental units		643,703	634,651	9,052
Total liabilities	\$ 6,936	\$ 892,213	\$ 880,609	<u>\$ 18,540</u>
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 11,356	\$ 1,220,363	\$ 1,208,741	\$ 22,978
Total assets	\$ 11,356	\$ 1,220,363	\$ 1,208,741	\$ 22,978
Liabilities:				
Accounts payable and accrued expenses	\$ 4,420	\$ 328,150	\$ 328,132	\$ 4,438
Due to other funds	6,936	248,510	245,958	9,488
Due to other governmental units		643,703	634,651	9,052
Total liabilities	\$ 11,356	\$ 1,220,363	\$ 1,208,741	\$ 22,978

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2005

WATER SUPPLY REVENUE BOND, 1981

Purpose: Water system improvements/additions

Original amount of issue: \$816,000

Interest Payable: August 1 and February 1

Original Amount of Issue \$816,000 Bonds Redeemed to June 30, 2005 \$281,000 Bonds Outstanding June 30, 2005 \$535,000

Term: 40 years

Fiscal Year Ended	Interest				Inte	erest l	Due		Total Annual
June 30,	Rate		Principal		08/01		02/01	Re	quirement
2006	5.00%	\$	25,000	\$	13,375	\$	13,375	\$	51,750
2007	5.00	*	25,000	_	12,750	7	12,750	_	50,500
2008	5.00		25,000		12,125		12,125		49,250
2009	5.00		25,000		11,500		11,500		48,000
2010	5.00		30,000		10,875		10,875		51,750
2011	5.00		30,000		10,125		10,125		50,250
2012	5.00		30,000		9,375		9,375		48,750
2013	5.00		35,000		8,625		8,625		52,250
2014	5.00		35,000		7,750		7,750		50,500
2015	5.00		35,000		6,875		6,875		48,750
2016	5.00		40,000		6,000		6,000		52,000
2017	5.00		40,000		5,000		5,000		50,000
2018	5.00		40,000		4,000		4,000		48,000
2019	5.00		40,000		3,000		3,000		46,000
2020	5.00		40,000		2,000		2,000		44,000
2021	5.00		40,000		1,000		1,000		42,000
		\$	535,000	\$	124,375	\$	124,375	\$	783,750

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2005

DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS, 1994

Purpose: Downtown Development Authority Streetscape Project

Date of Issue: September 1, 1994

Interest Payable: May 1 and November 1

Original Amount of Issue \$800,000
Bonds Redeemed to June 30, 2005 \$420,000

Bonds Outstanding June 30, 2005 \$380,000

Fiscal Year Ended	Interest		 Inte	erest I	Due		Total Annual
June 30,	Rate	Principal	 08/01		02/01	Rec	quirement
2006	5.65%	\$ 70,000	\$ 10,995	\$	10,995	\$	91,990
2007	5.70	70,000	9,017		9,018		88,035
2008	5.80	75,000	7,023		7,022		89,045
2009	5.85	80,000	4,847		4,848		89,695
2010	5.90	 85,000	2,508		2,507		90,015
		\$ 380,000	\$ 34,390	\$	34,390	\$	448,780



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MANAGEMENT LETTER

To the Honorable Mayor and Members of City Commission City of Stanton, Michigan

We have completed our audit of the financial statements of the City of Stanton for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Stanton taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the City management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

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August 3, 2005